EDITORIAL

Maybe Kmart Should Lead Macy's Parade

Stranger things have been proposed, and certainly, stranger things have happened. But the more you think about it, the more you're gonna like the idea.

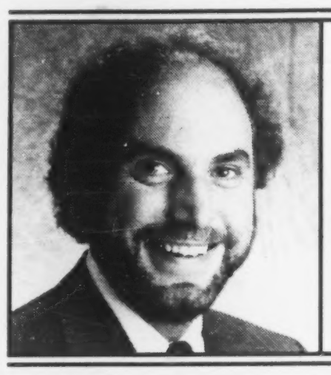
Despite its Chapter 11 filing, Macy's still claims it will continue to sponsor its Thanksgiving Day Parade. But, just in case the troubled department store chain must relinquish the honor, the tradition must continue, right? And, if so, why not Kmart?

Kmart, which will celebrate its 30th birthday March 1, is rich in tradition, family and Americana. Therefore, as one of the nation's largest operators of retail stores, it is a perfect choice to preserve a slice of American life.

Are you with me yet?

If not, here are 30 reasons (in honor of its 30th birthday) why it makes sense.

1. Approximately 2,345 discount department stores nationwide.
2. Plus, Kmart's five specialty divisions (Pace, Walden Book Co., Sports Authority, Builders Square and Pay Less Drug Stores) which operate a combined total of almost 2,000 additional stores. That's over 4,000 retail stores nationwide.
3. Overall marketing strategy and strength.
4. Promotional mindset and focus on lifestyle for the 1990s.
5. A well-organized communications network.
6. A high-profile public relations arm.
7. The financial capability.
8. A tremendous customer base. Over half the population visit Kmart stores each month.
9. The recent national holiday sweepstakes promotion with the Walt Disney Co.
10. The current national promotion with CBS.
11. A variety of other past joint promotions exemplify Kmart's national presence and exposure.
12. The chain's big "K" logo matches the color of Santa's outfit. (Maybe even Claus could be spelled with a "K.")
13. Joe Antonini would make a great grand marshall.
14. Jaclyn Smith would be a dynamic spokesperson.
15. And so would Martha Stewart.
16. And so would all the other celebrity spokespersons.
17. Significant involvement in the local communities.
18. A diverse corporate community service program.
19. America's favorite store.
20. Donald Trump and Ivana Trump are customers and could lend a little New York flavor.
21. The chain is rich in American tradition.
22. Its Christmas In America campaign.
23. Wal-Mart wouldn't do it.
24. Sears can't afford to do it.
25. There's no other national retailer that could pull it off.
26. Innumerable potential promotional tie-ins with the chain's diverse supplier base.
27. A Christmas teddy bear for $9.97, not $14.99.
28. And even a collector's plate.
29. A much improved, more positive image among customers than even five or 10 years ago.
30. Finally, let's give Kmart credit for avoiding many of the problems that have plagued Macy's. Kmart is involved in one of the most significant turnarounds in the history of retailing. While the numbers have yet to indicate a significant improvement, the internal and external changes have been dramatic.



TONY LISANTI
Editor

Well, if you're still not convinced that Kmart should be the heir to Macy's Thanksgiving Day Parade (just in case one is needed), who might you suggest?

Maybe Walt Disney? How about it, Mr. Eisner? You sure know how to lead a parade.

One thing is certain, the tradition must be preserved. The parade must go on!

And by the way, Happy 30th Birthday, Kmart!

BUYERS & SELLERS

Bush Economic Measures Seek to Buy Time

"Is it sound and will it work?"

That's the criteria President Bush set forth for judging the economic measures he announced in his State of the Union address last month.

"The president's plan is sound, reasonable and absolutely workable," according to Robert Verdisco, president of the International Mass Retail Association. Verdisco, who attended a special White House briefing prior to the president's speech Jan. 28, strongly endorsed Bush's plan for improving the nation's economy.

Verdisco's counterpart at the National Association of Wholesaler-Distributors, Dirk Van Dongen, applauded Bush for seizing the legislative agenda. "While we do not necessarily agree with every aspect of every proposal, the country needs a solid plan to get us out of the economic doldrums and cure the discontent prevalent in the land. The president has given us the blueprint and provided the leadership to do just that."

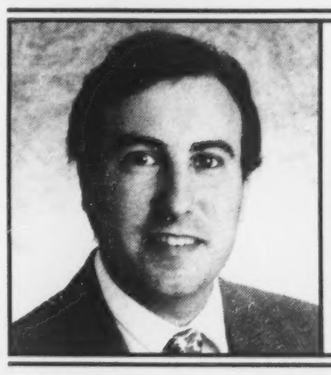
Reaction from other quarters of retailing, however, was less enthusiastic. Few retailers are doing cartwheels over the proposals, which, if passed by Congress, would cut spending on unneeded military weapons programs, provide some longer term tax incentives to spur investment and include a hodgepodge of tax relief measures that essentially put a couple of dollars in consumers' pockets right away in hopes that they'll spend it.

"There's not anything negative in his proposals," commented Marc Balmuth, president of Caldor, a chain that is particularly exposed to the ravages of a steep recession in its Northeast markets. "It remains to be seen how much it'll help."

That Bush has essentially "stayed the course"—i.e., resisted the urge to increase federal spending to bolster the economy—throughout the recession is both a positive and a negative for retailers.

By allowing the nation to slip into a long and deep recession, he has caused enormous pain and anguish. On the day of his speech, Macy's was filing for court protection from its creditors because anemic consumer spending left the retailer with too few funds to pay its huge debt load. The slow economy will not help Ames, Best Products and Hills, all discounters currently operating under Chapter 11, get their reorganization plans approved by the bankruptcy courts.

However, given the size of the federal budget deficit, the fact remains that there is little more Bush could do without busting the budget and leaving an even bigger mess for the next president to clean up. Before Bush's speech, most economists were predicting the economy would remain weak through the first half of 1992. Speaking to analysts at Dean Witter, Kmart chairman Joe Antonini correctly pointed out that "Band-Aid" attempts to fix the economy, like capping credit card rates, won't help. "With interest rates already low," said Antonini, "I think it becomes a fiscal management situation for the government."



DON LONGO
Exec Editor

The economy will probably begin to rebound in the third quarter, and certainly before the 1992 Christmas season.

Of course, Bush faces a battle to get his proposals through the Democrat-controlled Congress, which will do everything it can to make the Republican president look bad in an election year. And, even if approved by Congress, most of his anti-recession measures would not provide any meaningful spendable dollars until later this year, when the economy could already be rebounding. "He's just trying to buy time," said another retailer. "Politically, he's got to appease the electorate until the recession ends."

Hopefully, by the time November rolls around, the recession will have changed from a living nightmare to a sour memory.

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Best Reorg Plan Deadline Extended to June

(Continued from page 5)
in 12-page flyer, expiring Feb. 14, geared to Valentine's Day, with nine pages of diamonds, jewelry and watches and three pages of hard goods items.

Best requested the extension for submission of the reorganization plan, a step supported by its creditors committee, because of the recession and the need to get a better fix on the economy so that it can develop sales projections for 1992.

Best's examiner would 'investigate and evaluate' the existence of 'any viable, sustainable claims' that may enhance recoveries to creditors.

The sales and cost forecasts it has made during 1991 have been in line with actual results for the 11 months through Jan. 4, but earnings, due to the recession, are further from the mark.

Best reported that volume for the 11 months was $1.379 billion, off 5.9% from a forecast of $1.466 billion, while expenses at $310 million were in line with the projected $320 million. But gross margins of $332.6 million were off 10.6% from the forecast $372.1 million and actual EBDIT (earnings before depreciation, interest and taxes) of $22.29 million was less than half of the projected $51.96 million.

The financial statement, which is submitted monthly to creditors, is a guide to compare Best's general results for the company's forecast. The statement doesn't include sales and expenses from the shuttered showrooms and the forecast was revised in July 1991 when the cataloger began closing stores.

Best last year used only about $30 million of its $250 million line of credit and was negotiating to extend this DIP (debtor-in-possession) facility into 1993, the cataloger told vendors in its monthly update.

It also said Minneapolis and Charleston were "its remaining unprofitable markets." It's negotiating with companies to liquidate the seven showrooms starting this month. Schottenstein Stores Corp. liquidated the 35 previous closings.

In a separate letter to vendors, Stewart M. Kasen, Best's president and chief executive officer, said that it, and some of its financial lenders asked that the examiner be appointed "to terminate tension" between the lenders and some trade creditors over "who would investigate the facts and circumstances concerning" the 1988 LBO.

Best explained that the examiner would "investigate and evaluate" the existence of "any viable, sustainable claims . . . that would be worthy of pursuit in terms of the expenses involved and the potential enhancement in the recoveries to creditors."

Court papers listed nine financial institutions, led by Manufacturers Hanover Trust Co., along with the Resolution Trust Corp., as a receiver for three other lenders, as the prime movers for the appointment of an examiner. These financial institutions were the key lenders that funded the LBO.

These institutions' request followed a preliminary study of the LBO conducted for the creditors committee, which then formed an LBO subcommittee to carry out a formal examination and then determine and take "whatever steps it deems appropriate to benefit all unsecured creditors."

The trade creditors and financial institutions that weren't the prime lenders formed the group pushing for the LBO subcommittee investigation.

In a swipe at the trade creditors and their financial allies, the nine lending institutions noted in the court motion that "it is obvious that it would be folly to consign the determination of the viability of claims, if any, arising out of the Best LBO to entities that view themselves as the principal beneficiaries of the successful prosecution of such claims."

Best, in its letter to vendors, noted that appointment of examiners in other retailer bankruptcies didn't affect the companies. Best's examiner "will not have any impact on our continuing business and our relationship with our vendors," the cataloger said.

Most Discounters Report Sales Gains for 1991

(Continued from page 3)
even better, with a 16% rise to $930 million, with a comparable sales increase of 2%.

Another hot off-price apparel chain is 50-Off Stores. The San Antonio, Texas-based chain reported a 66.4% sales gain in 1991, to $128.6 million. Comp store sales were up 20%.

TJX Cos., operators of the T.J. Maxx and Hit or Miss chains, achieved a 13% sales increase in 1991, to $2.76 billion. Filene's Basement president Jim Anathan was particularly gratified by his chain's performance in "the extremely difficult economy of the Northeast." Sales for 1991 were up 16% at the chain's 37 off-price units, to a total of $465.3 million. Comp store sales were off less than 1%, primarily due to the depressed New England region.

Clothestime, the 401-store, Anaheim, Calif.-based off-price apparel chain, saw its 1991 sales grow by 24% to $259 million. Comp store sales were up 14%.

At Service Merchandise, sales dipped 1% to $3.39 billion, and declined 4.8% on a same store basis, but profitability was up slightly to $76 million.

Office Depot became the first office superstore chain to reach the $1 billion sales mark in 1991. The Delray Beach, Fla., superstore chain reported 1991 sales topped $1.3 billion, a 44% increase over 1990. Office Depot ended 1991 with 228 stores in 29 states, up 57 stores from 1990. In 1992, the chain expects to open between 50 and 60 new stores.

Dayton Hudson Corp. reported consolidated sales at its Target, Mervyn's and department store divisions were up 9.4% to $15.86 billion. Comp-store sales for the year were up 2.2%. Target was expected to report 1991 sales of $9.1 billion, up nearly 11% from 1990.

Woolworth Corp., which operates variety and specialty stores, reported that domestic sales rose 3.6% to $5.7 billion in 1991, however, foreign sales declined 1.6% in U.S. dollars.

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Wal-Mart to Expand VideOcart Test

BENTONVILLE, Ark. — Wal-Mart plans to expand its test of the VideOcart electronic shopping cart technology, now underway in the Rogers, Ark., store, and to place the carts in five more units.

The discounter plans to add 100 carts to the 75 currently being used in the Rogers store (see *DSN*, March 18, 1991, page 3) and use about 1,000 carts in the five undisclosed Wal-Marts.

Wal-Mart has used the carts to track shopper traffic through the store, monitoring such patterns as which departments are visited first, visited most and the time of such visits.

Wal-Mart will now expand its test to correlate traffic information with sales data so that buyers, for example, can gauge the effectiveness of merchandising displays by measuring how often shoppers pass a display and decide to buy the merchandise.

Different Retail Technology

Kmart is using different retail technology to obtain similar information. It has deployed the ShopperTrak system in its Westwood, N.J., store, and plans to install the technology in five other stores (see DSN, Feb. 3, page 2.) Kmart selected ShopperTrak over VideOcart.

Bobby L. Martin, Wal-Mart's senior vice president, corporate information systems, said, "these extensions go beyond the current state-of-the-art. We'll be able to gauge our customers' reaction to promotional features and respond faster than ever before to their preferences."

VideOcart has made a strategic alliance with IBM to increase cart production to meet the need for more carts for Wal-Mart and a number of supermarkets testing the technology.

The deal includes IBM assisting VideOcart engineers in improving the design of the cart, manufacturing an initial 120,000 display units for the carts and developing software interfaces to its 4680 POS terminals for such VideOcart applications as electronic coupons.

VideOcart will use the IBM PS/2 as the in-store computer gate and the IBM Information Network to transmit data and messages to and from the stores.

VideOcart has slowed down production of current models and expects to deliver carts to about 300 stores by mid-September or October, at which time IBM is due to begin supplying new units now in the design stage.

The company expects to have about 7,000 carts in about 500 stores by the end of the year.

Bi-Mart, Sportings Goods Chains for Sale

(Continued from page 3)
Pacific Enterprises hopes to raise $1.1 billion through the divestitures and pay down debt with the money. The sales would leave Pacific with its Southern California Gas Co., the largest natural gas utility in the United States.

All of Pacific's retail chains operate under the umbrella of Thrifty Corp., which Pacific acquired in August, 1986, in its first diversification into retailing. Pacific refuses to break out sales and earnings for each retail chain, but Thrifty Corp. sustained an operating loss of $166 million in 1991 on top of a $66 million loss in 1990, Pacific reported. Sales had risen to $3.3 billion from $3.2 billion, including a same store sales gain of 2.3%.

It predicted that Thrifty Corp. would continue to lose money until the fourth quarter of 1992.

In anticipation of losses on selling the five retail chains, Thrifty charged off $110 million during the fourth quarter of 1991. To conserve cash, Pacific suspended its dividend running at an annual rate of $1.76.

Pacific encountered "some expressions of interest" in acquiring its retail chains, a Pacific spokesman said, but he refused to say either what parties or chains were involved. "The deal is so recent that no formal negotiations are underway," he said. No management-led leveraged buyouts of any of the five chains are under consideration, he added.

Results were "improving" for the five chains Pacific wants to sell, the company claimed in a release, but they weren't enough to overcome losses at Thrifty Drug.

With 266 sporting goods units, Thrifty operates the largest group of stores in the country. It nudges out Herman's, which trimmed store count to 260 from 266 last year.

Pacific acquired its first of five sporting goods chains, Big 5 in California, when it acquired its parent, Thrifty Corp. in 1986. Since then it acquired four more chains: MC (formerly Michigan) Sporting Goods operating in the Midwest; Gart Bros., also in the Midwest and Colorado; Casey's, in the Midwest; and Magees, Chicago. MC Sporting Goods owns Casey's and Magees.

Sporting goods sales for Thrifty totaled $600 million in 1990, *DSN* estimates, trailing closely an estimated $630 million for Herman's.

Only the 130 or so Big 5 stores were doing well, industry sources said last July, while the MC and Gart Bros. divisions were struggling.

Germany's Retailing Business Still Prosperous

(Continued from page 5)
were otherwise indistinguishable from a towel that would sell in Wal-Mart for $3.99 everyday, $2.99 on promotion.

A 13-inch television sold for 399 marks, nearly $300, and compact discs were priced at 29 to 36 marks, about $20 to $25. Pre-owned and patched Levi jeans were priced at 169 marks, about $110, and no-name denims cost about $60. Tops sold in the $45-$65 range, and toys were almost out of reach. A 12-inch stuffed animal, for instance, was of fine quality, but at 199 marks (about $140) would die on a U.S. shelf.

The service level in most German general merchandise stores is far below their U.S. counterparts. While C&A, a fashion department store, was staffed at roughly U.S. levels, mass merchants often had just a cashier or two. Aldi, possibly the most down-and-dirty discount food outlet in the world, had one cashier and two stockers. Idea, a drug and novelty combo, similarly had only a cashier and stock help.

There were a few innovations. First, most cashiers work from a sitting position, which undoubtedly saves wear and tear on store-level help. Virtually all stores were on self-bagging systems, and the customer was expected to supply the bag himself, or pay about 7 cents for each one used. Germans typically carry cloth shopping bags on their rounds.

Aktion, Germany's answer to Kmart, *is a strange amalgam of upscale apparel, cosmetics and fragrances, contrasted with dump tables and deep discounts. Nevertheless, price points (small bath towels, reduced to $17) are much higher than those at Aktion's American counterparts.* (DSN photo)

At Radio Diehl, roughly equivalent to U.S. CE retailer Silo, but with audio software, the problem of the CD longbox was being addressed at the checkout. Customers were expected to remove their CDs from the longbox, which then went into a recycling bin. CDs shipped without longboxes, like the latest Peter Gabriel title, were repackaged in recycled ones.

Germans have more fun shopping than most Americans, and they tend to shop as a family. The Neu Isenburg mall contained coffee shops, bistros, beer gardens, full-service bars, arcades, a children's play area, kiosks selling wines, ciders and liqueurs from microwineries, a woodworking shop, tour sales offices, and many other service businesses, all doing great business.

Similarly, a German grocery store offers a great deal more than its American counterpart. In contrast to general merchandise, food was generally moderate in price, and seemed to be high in quality. Precooked and deli type food is a staple here, and every market had wide selections of wine, literally three or four aisles full, at extremely low prices, starting at less than $2 and rising to about $20. Beer, too, was inexpensive, and an average of 10 or so brands were available by the single bottle, the six-pack and the 20-bottle case, as well as in mini-kegs. General merchandise accounted for about 30% of sales footage, with products ranging from toys to housewares to home office goods.

In fixturing, stores (except for grocery stores) were generally far behind their American cousins. Dump tables were omnipresent (Aldi has practically nothing but), and the capacity of shelving seemed to be far less than in U.S. stores. Displays, too, were less than thrilling, except at C&A, the upmarket department store.

But, the concept of massing out merchandise was widespread. A German bicycle shop was nearly invisible underneath a veritable blizzard of assembled bicycles; in grocery stores, the week's specials were piled eight feet high.

Another difference in the German scene was the location of the mall, on the equivalent of a British High Street. Outside, smaller specialty shops competed successfully with the mall locations. For instance, a small audio specialist featured high-end audio equipment, satellite systems, and on-site repairs, to differentiate itself from Radio Diehl. A tiny video rental shop seemed to specialize in foreign, "art" and adult titles, and restaurants were very distinctive compared to the deli/wurst types in the mall; with Italian, Hungarian, and Chinese featured.

Brendle's, Foland's Move to Restructure

(Continued from page 5)
erative, has held tentative discussions with the industry's two other coordinators, Associated Charter and Paul Schultz Catalogs, on a possible merger with either one.

Brendle's plans to issue its own catalog and to continue its flyers program.

The Brendle's restructuring is being developed with input from The GDL Group, a New York-based management consulting firm, two of whose executives are part of the new chief executive office. That post is now composed of Brendle's chairman Douglas D. Brendle, Geoffrey D. Lurie, GDL Group president, and Walter A. Jones, GDL Group executive vice president.

Brendle's was forced to hire outside consultants by the three banks that provided a $20 million term loan and a $49 million revolving credit facility in October 1991. GDL Group, which is a turnaround specialist, is not investing in Brendle's.

The Brendle's that are being closed are in Chattanooga, Tenn. (2), Savannah, Ga., and Columbia, North Charleston and Greenville, S.C. The layoffs include 250 people from the showrooms and 65 from headquarters and the huge 388,000-sq.-ft. distribution center.

Two executives have left the cataloger: president Dennis B. Johnson, who joined the company in 1990 when it first began having problems, and Jeff Mick, vp and chief financial officer, who engineered Brendle's becoming a public firm in 1986.

Douglas Brendle cited the chain's too-rapid expansion—15 stores were opened in 1990—compounded by the closing or scaling back of military bases in the Southeast as the reasons for Brendle's problems. The cataloger lost $14.2 million on $169.4 million in sales for the nine months ended Nov. 2, 1991. In the previous year's same period it lost $7.2 million on $169.6 million in sales.

Foland's, a member of the Associated Charter Catalogs group, will drop its catalog as part of its restructuring. The privately-held cataloger will focus on its its strongest business, bridal registry, and such categories as fine jewelry, gifts and tabletop.

Should Foland's leave Associated Charter, the group will have 11 members.

Foland's cited the downturn in the Detroit economy and cutbacks in the auto industry as the reasons for its problems.

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Handicapping Directions For New Specialty Growth

(Continued from page 5)
consumer electronics will probably snap back with a vengeance in the coming years. Competition has been pared to a manageable level, and most retailers project rising margins on new products due to that lessened competition. The market for computers alone in the 1990s is projected at over 150 million units at roughly $1,000 apiece, and new technologies are arising daily. And the cost of acquiring a viable chain is probably at an all-time low.

Designer Depot may have soured Kmart on the off-price apparel market, but with virtually every full-price outlet apart from The Gap and The Limited floundering, the future for this category is almost unlimited. If Kmart could find a successful, reasonably priced chain, it's unlikely they'd say no, particularly in light of Target's entry into the category.

Other possibilities? Some sort of health-oriented superstore operation sounds possible later in the decade. Baby boomers are getting older (and fighting old age every step of the way), and the present system of medical product distribution is an exact doppelganger of the office supplies business of the early 1980s: dingy little mom and pop stores that charge full list price in return for having what you need in stock. This is an industry just begging for a superstore operation to come along and clean up.

Or how about a Kmart travel club? Deregulation, which at first slashed travel costs, has given way to a tightly-knit industry that can make more money selling to business travelers than the public. Package tour operators are notoriously unreliable, and charter flights are always a hit-or-miss proposition. A travel club that offers reputable, reliable service at everyday discounts could have mass appeal, particularly to a baby boomer generation less concerned with conspicuous consumption and more concerned with personal enrichment for themselves and their children. Travel, along with health care, could be the growth industry of the late '90s.

food merchandising

FOR NON-FOOD RETAILERS

A special supplement to *Discount Store News* and *Drug Store News*

Winter 1992

Walgreens Showcase: Convenience Foods Front & Center

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Candy/Snack Research

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Membership Clubs Score Big Grocery Sales Gains

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Grocery Census

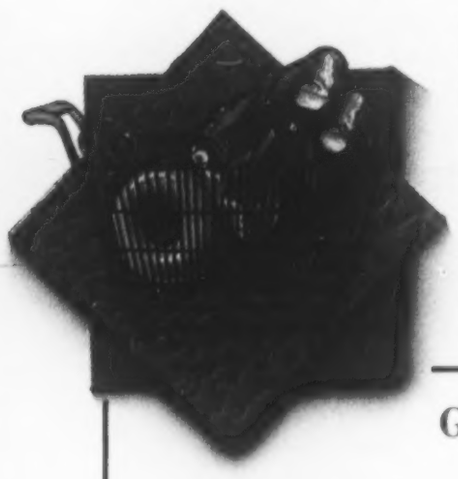
Sales Up at Warehouses, Drug & Discount Stores

Grocery sales in non-food retailers keep expanding at a healthy pace, especially in membership wholesale clubs.

That's according to U.S. Census Department data analyzed by Malcolm Knapp & Associates, a market research firm located in New York.

Based on dollar figures tabulated for 1990 vs. 1991, drug, discount and wholesale clubs each produced impressive sales gains.

Grocery sales in general merchandise units totaled $12.5 billion, up 3.2% over the $12.2 billion registered in 1990. Drug store volume was up 11.7% to just over $7 billion.



Grocery Sales Trends in Membership Warehouse/ Wholesale Clubs (Retail Sales in Millions of Dollars)

Category Segment	1987	1990	1991	1992 (est.)
Packaged Groceries (Excluding snacks)	$4,203	$ 8,499	$10,308	$11,608
Packaged Alcohol	490	893	1,071	1,191
Paper Goods	44	939	1,103	1,283
Soaps/Household Cleaners	449	962	1,138	1,222
Pet Foods	239	607	616	611
Total	$5,825	$11,900	$14,236	$15,915

Source: Malcolm M. Knapp, Inc., New York

Grocery Sales Trends in General Merchandise Stores
(Retail Sales in Millions of Dollars)

Category Segment	1987*	1990	1991	1992 (est.)
Packaged Groceries (Excluding snacks)	$ 7,778	$ 9,473	$ 9,780	$10,107
Packaged Alcohol	668	796	820	856
Paper Goods	756	911	945	979
Soaps/Household Cleaners	740	890	917	954
Pet Foods	82	106	113	114
Total	$10,024	$12,176	$12,575	$13,010

Source: Malcolm M. Knapp, Inc., New York

*All 1987 figures are revised estimates based on 1987 Census of Retail Trade, Merchandise Line Sales

Chain drug store growth has been plumped up by additional food offerings. Super D in Nashville has added more prepared foods, while Thrifty in Los Angeles has made food one of the focal areas in its new prototype.

Membership clubs had the most stunning growth, with sales jumping 12% to $14.2 billion. And, according to Knapp, the numbers even hide some wholesale volume which is grouped into the general merchandise category. Some 1992 wholesale club sales estimates are ringing in at close to $16 billion.

Alcohol, packaged groceries and household cleaners have shown dynamic increases at membership clubs, and BJ's and Price Club have enlarged liquor selections. A new BJ's in Edison, N.J., will have a separate liquor store on its perimeter.

Alcohol, paper goods and household cleaners have shown double-digit growth in drug stores. Liquor has helped ring up incremental sales there, and accounts for 12% of Walgreens' sales.

Wholesale clubs and drug stores have the most growth potential. Discount stores had a growth burst in the late 1980s—a reason for smaller sales gains of 3% to 4% for general merchandisers. Pet food is the one exception, with sales jumping 6.6% to $113 million.

More growth is predicted. "As shoppers continue to seek convenience and retailers improve their selections, the sales trend will be up," concluded Knapp. **FM**

Grocery Sales Trends in Drug Stores
(Retail Sales in Millions of Dollars)

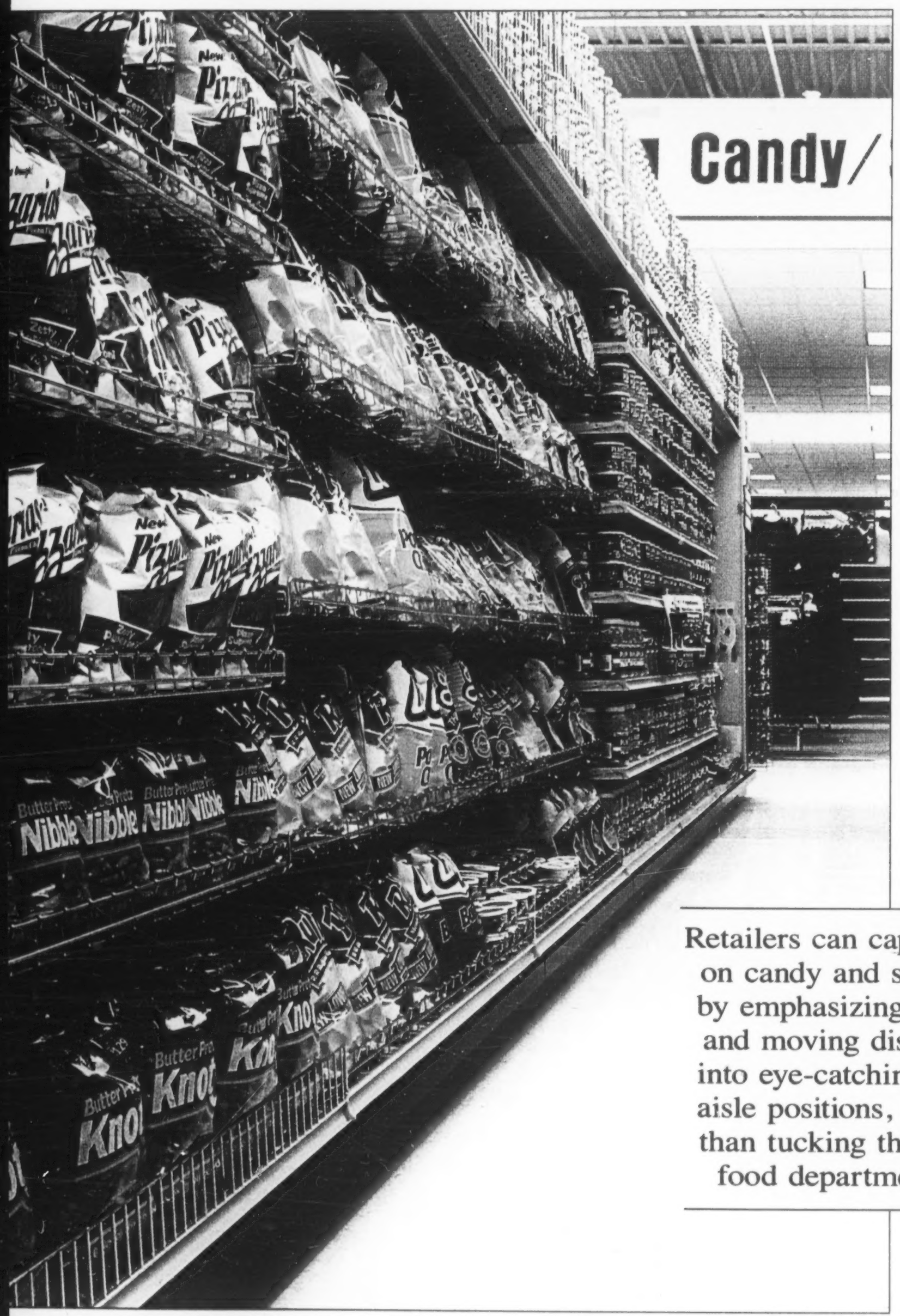
Category Segment	1987*	1990	1991	1992 (est.)
Packaged Groceries (Excluding snacks)	$1,976	$2,571	$2,841	$3,089
Packaged Alcohol	1,697	2,194	2,462	2,664
Paper Goods	403	554	2,462	2,664
Soaps/Household Cleaners	491	729	830	874
Pet Foods	173	275	303	316
Total	$4,740	$6,323	$7,065	$7,617

Source: Malcolm M. Knapp, Inc., New York

*All 1987 figures are revised estimates based on 1987 Census of Retail Trade, Merchandise Line Sales

Sweet Success

Temptation Still Wins Out With Candy & Snacks



Venture, Des Moines, Iowa: Snack displays like this helped discounters lure consumers.

Retailers are wondering whether the recession has been good or bad for candy and snack sales.

Conventional wisdom suggests that consumers will reduce candy and snacks consumption as a way to save their pennies. However, these treats may also be among the few simple pleasures people can still afford in tough times.

According to exclusive research conducted by Leo J. Shapiro and Associates for *Food Merchandising*, consumers—especially discount store shoppers—find it difficult to completely pass up tempting displays of candies and snacks.

From the research, a picture emerges of a customer who plans to buy less when he goes into a store, but doesn't always do as planned.

In the survey, consumers said they buy less of certain items.

In snacks (popcorn, chips, dips, crackers, cookies, pudding and jello) specifically, the percentage of consumers who report purchasing less of a product today, compared to a year ago, ranges from 32% for crackers to 48% for dips. With candy items (bagged candy, multipacks, seasonal candy, boxed chocolates and single candy bars), the percentages of consumers reporting fewer purchases ranged from 32% for seasonal candy to 55% for candy in bags.

Retailers can capitalize on candy and snacks by emphasizing price and moving displays into eye-catching end aisle positions, rather than tucking them in food departments.

The study makes clear that snacks and candy are products which people are trying to cut down on buying. But many consumers are finding it is easier to say they'll spend less on these food items than are actually putting that resolution into practice. In fact, Shapiro found about 50% of households are buying more of at least one snack product this year and a third more of at least one candy product. Although more consumers today say they are buying less,

quite a few have found at least one they are buying more than before, according to Shapiro's study of 455 households.

This is especially true of the discount store shopper. Of those queried, 29% have purchased snacks at discount department stores (including warehouse clubs and outlet stores) and 26% have purchased candy at those retailers, making it the favorite shopping location outside of the food store for these products.

Within this retail sector, 18% report buying snacks at discount stores, while 12% favored warehouse clubs; 21% said they purchase candy at discount stores, and 7% said warehouse clubs were their preferred retail outlet.

In contrast, 6% report buying candy at drug stores, with 15% purchasing sweets in drug outlets.

Clearly, the discount store customer indulges more often than the general population. Nearly two-thirds said they are buying more of at least one snack item this year; 43% of discount candy shoppers are buying at least one more candy item. Both percentages outstrip the buying habits of the general population.

Some basic economic factors are at work in accounting for the higher purchasing at discount units. When prices of snacks and candies are lower, as they generally are in discount outlets, shoppers' resistance to such impulse purchases may give way. This may explain why discount store snack and candy shoppers, more than others, are upping their snack and candy purchases, said Sara Parikh, a researcher for Shapiro.

Also, demographics play a major role in proportionately higher intent to buy snacks and candy at discounters. Consumers who buy snacks and candy at discount stores generally have larger households with young children. "It's a situation that encourages these consumers to buy more," Parikh added.

Based on the research, retailers can capitalize on candy and snacks by emphasizing price and by moving displays into eye-catching end aisle positions, rather than tucking these items away within food departments.

That's because the candy department won't be a destination for today's discerning, penny-saving customer. But endcap and other off-shelf displays will appeal to shoppers looking for a "feel good" purchase.

Not surprisingly, the items customers like to buy in convenient locations such as drug and discount stores are the basics—chips, popcorn and cookies in snacks, and bar candy in the candy category.

When asked which candy products they were likely to buy at a store other than a food shop, 43% said single candy bars, supporting the appeal of candy as an impulse buy, while candy in bags was mentioned next, 24.7% of the time.

Chips were mentioned first, 37.6%, as a snack most likely to be purchased at an outlet other than a food store, while popcorn came in second, with 34.4% of the mentions. **FM**

"Where Besides Food Stores Do You Buy Candy"	
Discount Department Stores	**20.6%**
Wal-Mart	10.5%
Kmart	7.8
Target	2.1
Warehouse Clubs	**6.9%**
Sam's	3.6
Costco	1.2
Price Club	1.2
Drug Stores	**15.0%**
Walgreens	1.8
Phar-Mor	1.3
Osco	1.5
Source: Leo J. Shapiro & Associates for Food Merchandising	

Zellers, Montreal: Shoppers have a harder time resisting the urge to buy candy when confronted with low discount store prices.

"Where Besides Food Stores Do You Buy Snacks"	
Discount Department Stores	**17.7%**
Wal-Mart	10.0%
Kmart	5.9
Target	2.0
Warehouse Clubs	**11.5%**
Sam's	5.2
Costco	2.7
Price Club	2.1
Drug Stores	**6.4%**
Walgreens	1.8
Phar-Mor	1.3
Source: Leo J. Shapiro & Associates for Food Merchandising	

May's Dual Strategy Drives Candy Sales

May's use of two distinctly different candy programs—and food in general—in its 21 drug stores and 12 deep discount stores is a good example of how a regional chain can be a tough competitor for larger drug and discount chains in the same markets.

The Tulsa, Okla.-based company uses different assortments and pricing strategies that complement each operation and create efficiencies that otherwise would not be possible.

For the conventional drug stores, candy buyer Gregg Heller chooses an assortment that offers customers lots of choice, without letting skus proliferate to the point that they are difficult to maintain. About eight feet of space is allocated for the in-line program. Peggable bagged candy is a 4-foot set, and features a Sathers and Brock mix at the two-for-$1 price point. The boxed assortments include Russell Stover, and Andy's does well in smaller sizes, with 2-lb. boxes usually reserved for the major holidays.

The assortment also includes a Planters program, with cans, jars, pegged bags and five-for-$1 peanut crackers.

Seasonal programs in novelty candies rely on cooperation between drug store managers and the buyer. Heller said seasonal buying is based on stores' sales reports for the previous year, which he uses to determine quantities. Then he relies on stores to customize their programs.

"We have set aisles for seasonal merchandise," reported Heller, "and it doesn't affect the in-line program. Seasonal candy usually ends up with half of an entire aisle, even if it's an aisle or two away from the regular in-line program. Some stores will go to a complete aisle for seasonal candy, but they will also include other holiday items like gift wrap in that space."

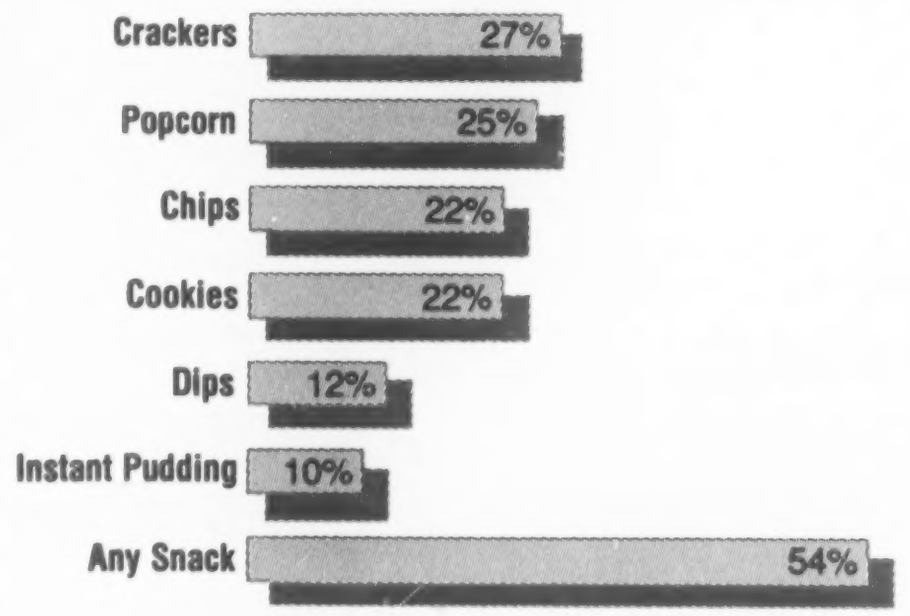
Stores also use endcaps for seasonal candy, but Heller and the chain's district managers monitor them closely so merchandise doesn't sell down so quickly the endcap looks bare.

At checkstands, he limits his assortment to gum and mints on wire racks. Heller used to buy multi-packs of individual candy bars with the intention of having the packs broken up at store level, but he learned from experience that it didn't get done, so he is now staying away from multi-pack purchases. He also limits use of drop displays.

May's candy program differs from other chains in that it doesn't emphasize impulse purchases. "Most chains have candy upfront as an impulse purchase, but we don't," said Heller. "We have an established customer who knows where the store's candy section is."

Summary of Snack Purchasing Behavior

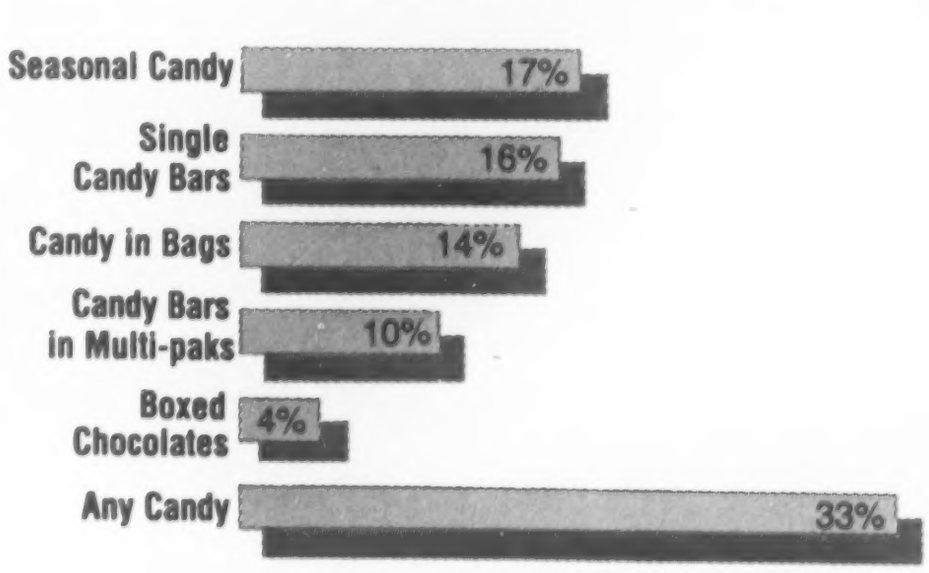
"Compared to a year ago, would you say your household is buying more packaged . . ."



Source: Leo J. Shapiro & Associates for Food Merchandising

Summary of Candy Purchasing Behavior

"Compared to a year ago, would you say your household is buying more . . ."



Source: Leo J. Shapiro & Associates for Food Merchandising

May's Drug

Heller tracks new introductions of the so-called "healthy candy" that's geared to adult tastes, but he said the advertising support behind these new products plays a major part in his decision on whether to add it to his program.

In May's Southwest markets, the chain is in direct competition with Wal-Mart, Medic Drug Stores, and Osco Drug Stores. Nevertheless, Heller said May's can be successful without constantly reacting to competitors' moves.

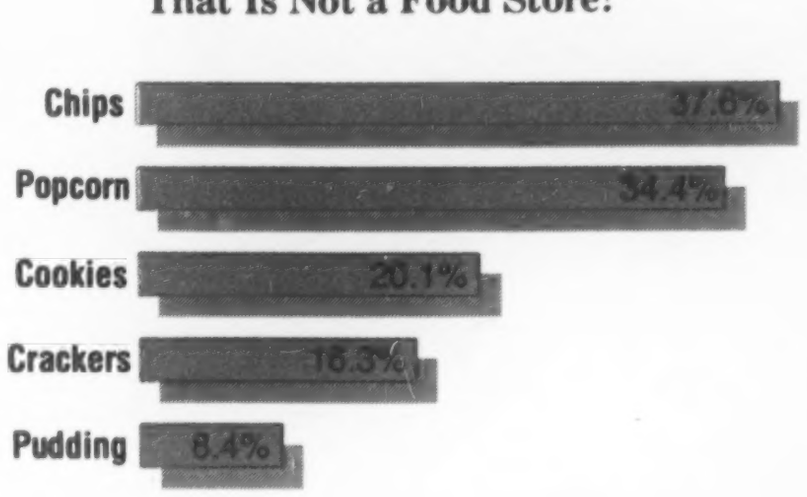
"You need to be concerned about the competition and watch what they are doing, but as far as someone coming in and making us change, well, we have Wal-Mart at our back door and we are doing fine," he said.

The deep discount side of May's business emphasizes everyday low prices as well as a broad product assortment that offers one-stop shopping convenience to its customers.

Most food products are limited to the deep discount stores—snack items, crackers, microwave dinners, cereals and pancake mixes.

"I am as deep as I can get, but I have to beat grocery stores on price," said Heller. **—Michael Hartnett**

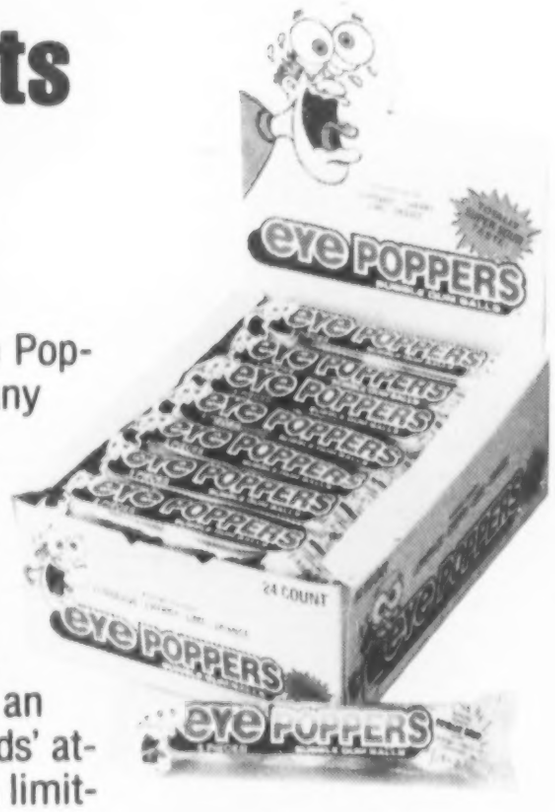
"Which Snack Products Are You Likely to Buy at a Store That Is Not a Food Store?"



Source: Leo J. Shapiro & Associates for Food Merchandising

New Products

Gum With Eye Popping Good Taste



Leaf has unveiled its newest gum, Eye Poppers, in the sour flavors that so many children love to chew.

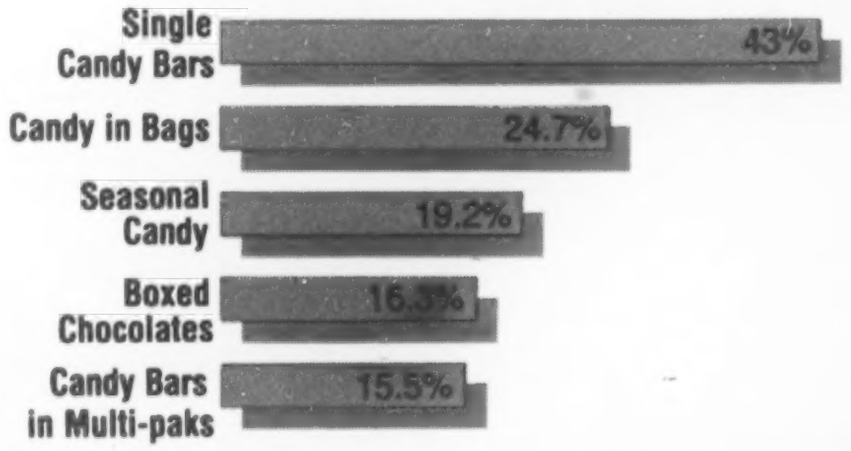
Featured flavors include the sourest lemonade, the tartest cherry, and the most eye popping orange or lime.

Sold in a multi-flavor 5-piece tube, Eye Poppers bubble gum balls are packed 12/24. The counter box features an eye popping cartoon character to grab kids' attention. The gum is currently available in limited markets.

Sathers Acquires Powell's

Sathers, the candy, nut and natural snack maker, finalized its acquisition of Powell's Inc., a general line candy manufacturer. Sathers' ceo Howard Kosel said Powell's will still provide the same quality products to customers it has served since 1929. Sathers, of Round Lake, Minn., hopes this year to repeat the success of its Gummi line with the launch of a Sours gum and candy line.

"Which Candy Products Are You Likely to Buy at a Store That Is Not a Food Store?"



Source: Leo J. Shapiro & Associates for Food Merchandising

Discount Store Shoppers Are Sweet on Candy & Snacks

Percent of consumers buying any snack more today than a year ago

54% Among all consumers

62% Among those who buy snacks at discount stores

Percent of consumers buying any candy more today than a year ago

33% Among all consumers

43% Among those who buy snacks at discount stores

Source: Leo J. Shapiro & Associates for Food Merchandising

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Ames Talks Reaching Critical Stage

By Pete Hisey

ROCKY HILL, Conn. — Ames may sink in a quagmire of vicious infighting among various creditor factions, according to parties to ongoing negotiations. However, at presstime, the judge overseeing the case, frustrated at the absence of a settlement, imposed settlement talks among all parties, and will referee those talks.

The ongoing court hearing of Ames' motion to consolidate all creditor claims against the 53 Ames subsidiaries will be key to Ames' continued survival; if Ames loses its consolidation bid, subsidiary and secured creditors could tear the company apart piece by piece.

According to Josh Goldberg of investment banking firm Financo, which represents Ames bondholders, well over half of the "dollars" that have to approve any proposed reorganization plan for the bankrupt retailer are opposed to the structure as presented to the Bankruptcy Court in early January. Ames needs three quarters of its creditors (on a dollar basis) to agree for its plan to be approved.

At issue is the survival of the company. Main secured lender Citibank and subsidiary secured creditors contend that they should be allowed to recover whatever they can from each of Ames' 52 subsidiaries, while Ames contends that they should collect from the consolidated parent. If the secured lenders have their way, they would quickly collect any cash on hand, and Ames would probably cease to exist.

Stan Greenstein, senior vice president and chief financial officer of Gitano, the chairman of Ames' vendors committee, expects Ames to prevail. "I think the plan Ames submitted is reasonable," he said. "There are a few adjustments we'd like to see made, but I believe a practical settlement can be negotiated."

Not if Citibank and the subsidiary creditors prevail in court. Citibank maintains that the assets of Ames' subsidiaries were pledged as security for loans the bank made to Ames prior to the Chapter 11 filing two years ago. It wants to recover whatever assets each

(Continued on page 36)

Meijer Allots $100M for Clubs

SourceClubs to Debut in Michigan and Ohio

By Arthur Markowitz

GRAND RAPIDS, Mich. — Meijer has narrowed down the sites for its initial SourceClubs to Michigan and Ohio, but didn't target any opening date for the membership warehouses.

According to SourceClub president Paul Boyer, the Flint, Lansing and southeast Michigan and Dayton, Ohio, markets "appear to have the most readily developable sites at this time" for the initial clubs. Boyer declined to comment on a report that the first SourceClub would be unveiled in Grand Rapids this fall so that Meijer can closely monitor the venture's first steps.

Trade sources also reported that Meijer has earmarked $100 million to develop and start SourceClub and has hired a number of experienced wholesale club executives in the merchandising, operations and technology areas to launch the membership warehouse. The retailer plans to have five SourceClubs in operation within a year.

Should SourceClub open in Grand Rapids, Mich.—Meijer's home town—it would face two Sam's Clubs and one Pace Membership Warehouse. The competitive situation isn't any easier in the other Michigan markets as Sam's, Pace and the Warehouse Club together have more than a dozen clubs in this part of the Wolverine State, with more stores on the drawing boards.

Dayton, meanwhile, has a Sam's and a Warehouse Club, with another Sam's Club due next year.

One industry source said that SourceClub wouldn't be deterred from going into markets that already have other clubs. The industry's growth is so rapid (see story, page 31) that there is room in markets that now seem filled. The experience of the major players is that you first stake out a presence and then grow as the wholesale club concept draws more customers and the market itself grows, the source explained.

SourceClub, through its Meijer heritage, should be able to offer its customers better merchandising in such areas as in-store bakeries and fresh produce than can competing wholesale clubs, the source added.

Costco Plans London Clubs; Sam's Next?

By Arthur Markowitz

LONDON — Costco Wholesale plans expansion efforts to England with clubs in at least four cities—London, Birmingham, Manchester and Leeds—and is expected to have at least two units in operation by mid-1993, according to *Retail Week*, a business weekly.

The newspaper also reported that Wal-Mart's Sam's Club division was talking to "a major European retailer" on opening stores in Europe with England as a "high priority." A Sam's spokesman said the European expansion is "only speculation at this stage," the newspaper reported.

Costco plans to open four clubs around the M25 highway that rings London—one in each quadrant—and was working with an English real estate firm, Jones Lang Wootton, on sites. Carrefour, the French retailing conglomerate that holds a 23% stake in Costco, is working with the membership warehouse on its fast-track European expansion.

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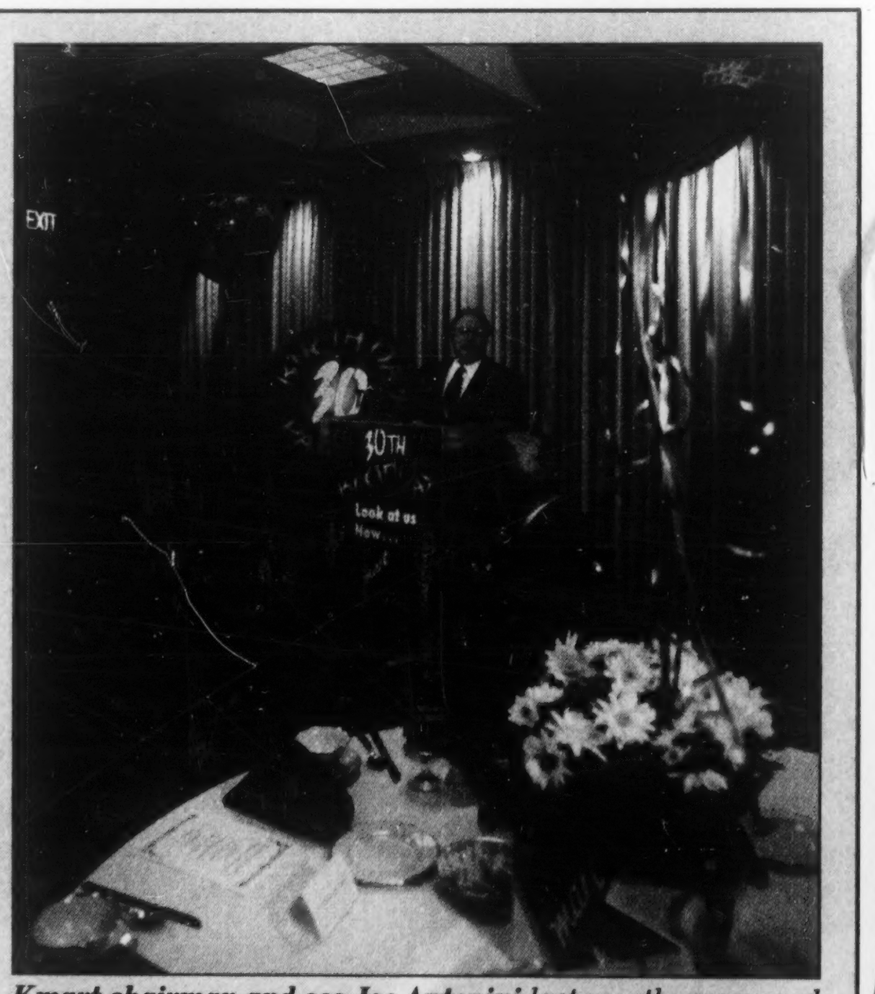


***Kmart chairman and ceo Joe Antonini** last month announced plans for the 30-year-old discounter's birthday bash March 1.*

Kmart's Birthday Bash: 30 Years Strong & Still Committed to Customers

TROY, Mich. — Promising a party to end all parties, Kmart vice president of marketing Michael Wellman previewed what the company expects to be "absolutely the biggest birthday party of all time." Said Wellman, "We'll show you how to do it right."

Kmart execs revealed a few details of its 30th birthday gala event March 1 before an audience of consumer and trade press at headquarters last month. At the same time, some details about what is being dubbed the "Oak Park III" prototype were also disclosed.

Chairman Joe Antonini also announced that the new Kmart radio station will reach 200 of the chain's 2,375 stores by June, with plans to roll out its availability in the future.

(Continued on page 4)

To Facilitate Growth, Ward Gives Nod to Top Execs

CHICAGO — Montgomery Ward has promoted several key executives "to facilitate the company's growth plans," according to chairman and ceo Bernard Brennan.

Bob Schoeberl was named senior vice president, Electric Avenue. He was formerly senior vice president, automotive and will report to Dan Levy, vice chairman and chief executive officer.

Succeeding him will be Larry Day, named vice president, Auto Express. He will report to Schoeberl and was formerly field director, Auto Express. Buck Pohlman was named executive vice president, stores and finance, and will be responsible for the company's entire field operations, as well as overall financial responsibilities. John Workman was named vice president and controller, reporting to Pohlman.

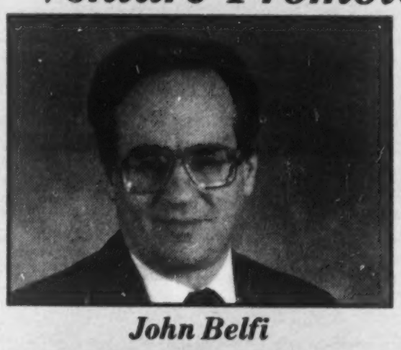
Dick Rusthoven was promoted to executive vice president, apparel, from senior vice president, apparel, and will be responsible for all of Montgomery Ward's apparel operations.

Bob Kasenter, a 23-year Ward veteran and previously senior vice president, human resources, was promoted to executive vice president, human resources. Don Docken is now responsible for planning in addition to his former responsibility for merchandise presentation, and will report to Bill McCarthy, president, marketing. And Ed Zgonina, formerly director, store planning, was named vice president, store planning and construction, reporting to Docken.

Phil Delk was named vice president and deputy general counsel, reporting to Spence Heine, executive vice president, legal and financial services.

Although Bill McCarthy's title remains the same, he will now have "ultimate responsibility for advertising, merchandise presentation and planning, which will allow for a high degree of coordination among these critical areas," Brennan said. "The new appointments utilize the strengths and management experience of these long-term Montgomery Ward senior management associates in focusing on the critical activities of the company," he continued. "This will enable us to further accomplish the goals of our value-driven store strategy."

Venture Promotes 3 to Key Posts



John Belfi

Val Torstenson

Bob Neel

O'FALLON, Mo. — Venture Stores, the 84-unit chain based here, has promoted three people in the discounter's merchandising and operations areas.

John Belfi has been named divisional merchandise manager over hardware, automotives, lawn and garden and patio furniture.

Val Torstenson has been promoted to director of systems development and information resource management. In her last position, she was director of information resource management. The promotion expands her responsibilities to internal systems development.

Bob Neel now holds the director of systems development post, having been manager of systems for the past five years.

In his new position he will direct 30 associates and continue to be responsible for the development of new and enhanced MIS.

New Stores Expand ShopKo Vision

GREEN BAY, Wis. — ShopKo announced it will open three stores this year built from the ground up to its new Vision 2000 prototype.

The first opens next week in Salem, Ore., and the other two will open during July in Helena, Mont., and Hutchison, Minn.

The western stores will cover 115,000 sq. ft., while the Hutchison unit, a relocation, will come in at 76,000 sq. ft.

The first Vision 2000 was a remodeled store that opened last November in Green Bay, near corporate headquarters.

The hallmark of the Vision 2000 prototype is an emphasis on fashion presentation in apparel and home decor, along with expanded offerings in those categories, as well as music and video.

The openings will bring store count to 112 for 1992.

ShopKo, which went public last fall, is making $36 million in capital outlays this year to expand its three DCs—DePere Wis., Boise, Idaho, and Omaha, Neb.—by 142%. Another capital project is a three-year, $25 million investment in computer systems to improve customer service, payroll efficiency and inventory management.

***ShopKo is opening three** new Vision 2000 stores which improve the chain's fashion presentation in apparel and home decor.* (DSN photo)

McCrory Misses Debt Payment

NEW YORK — McCrory Corp. disclosed that it missed a $3.4 million debt payment due Feb. 15 and is "considering its restructuring options."

One of those reportedly might be to seek protection from creditors by declaring Chapter 11 bankruptcy.

Just before Christmas, McCrory announced it will close 200 of its worst performing variety stores and fire about 2,000 of its 25,000 workers. It then operated 1,200 stores under the names of McCrory's, G.C. Murphy, J.J. Newberry, H.L. Green and S.H. Kress in two dozen states.

Full year sales figures are unavailable, but for the first nine months of 1991, sales declined to $960.7 million from $1.05 billion in the same span of 1990, and McCrory lost $42.3 million.

McCrory Corp. is owned by the privately held Riklis Family Corp. based in New York.

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